

# EXHIBIT 1

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<https://www.sfgate.com/news/article/PG-E-Guilty-In-1994-Sierra-Blaze-739-counts-of-2821364.php>

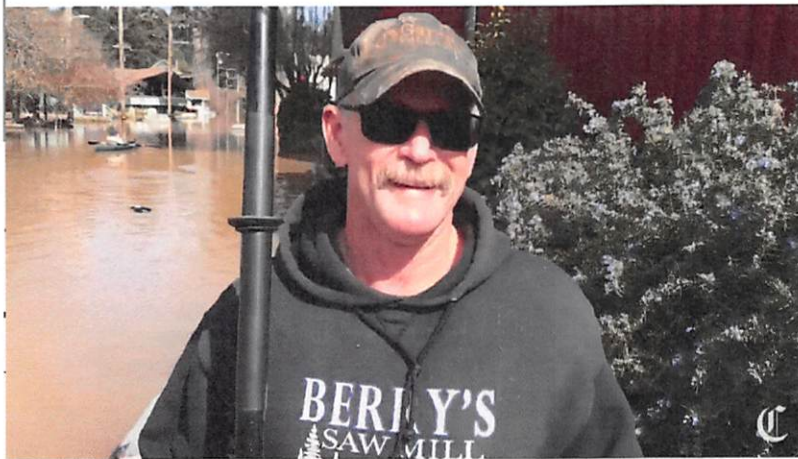
## PG&E Guilty In 1994 Sierra Blaze / 739 counts of negligence for not trimming trees

Jim Doyle, Chronicle Staff Writer Published 4:00 am PDT, Friday, June 20, 1997

A Nevada County jury found Pacific Gas and Electric Co. guilty yesterday of a pattern of tree-trimming violations that sparked a devastating 1994 wildfire in the Sierra.

The fire burned down a schoolhouse and 12 homes near the scenic Gold Rush town of Rough and Ready.

### RECOMMENDED VIDEO



PG&E was convicted of 739 counts of criminal negligence for failing to trim trees near its power lines -- the biggest criminal conviction ever

three days of deliberations. It

PG&E, which denied all the allegations, faces up to \$2 million in fines for the criminal misdemeanors. In addition, the judge could order the utility to pay restitution to property owners.

The utility will not be able to pass along to its customers any costs associated with the trial or any fines imposed as a result of the convictions, prosecutors said.

The jury deadlocked on four misdemeanor counts. Judge **Carlos Baker** declared a mistrial on those counts and scheduled a sentencing hearing for July 2.

The verdict comes as the utility is dogged by complaints about its fire-prevention efforts near power lines. The case may encourage similar prosecutions by other counties.

California **Department of Forestry** investigators have determined that several other major wildfires, and hundreds of smaller wildfires, have been caused in recent years by

PG&E's failure to comply with safety regulations. PG&E has been slapped by state and county officials with several thousand tree-trimming violations.

State law sets minimum distances of up to 10 feet between flammable vegetation and high-voltage lines and also mandates firebreaks around power poles.

"Hopefully, this sends a message to upper-level PG&E management that they must do whatever is necessary to comply with the law and protect public safety," said Nevada County Deputy District Attorney **Jenny Ross**.

During the three-month trial, a prosecution expert testified that PG&E bilked its customers of nearly \$80 million by diverting funds from its trimming program into shareholder profits.

"Of course I was disappointed by the results but not surprised," said veteran trial lawyer **Joseph Russoniello**, who headed PG&E's defense team. "I think the jury did as it could do with the evidence that it had, but it didn't see the whole picture."

He filed a motion yesterday asking Baker for a new trial on the grounds that evidence in the utility's favor -- for example, that its tree-trimming program met industry standards -- was wrongfully excluded.

Baker, a visiting judge from Kings County, heard the case in the Bouzy Rouge, a rose-colored tavern in the historic town of Nevada City, about 70 miles northeast of Sacramento in the Sierra foothills.

The charges stemmed from the August 1994 Trauner fire, which swept through 500 acres of thick brush and pine forests near Rough and Ready, a hamlet 10 miles west of Grass Valley. The fire reached the town limits and destroyed 12 homes and 22 other structures, including a schoolhouse built in 1868.

State forestry investigators determined that the blaze began when a 21,000-volt power line brushed against a tree limb that the utility was supposed to keep trimmed. In random spot inspections, the investigators found several hundred safety violations in western Nevada County. Nearly 200 of the violations involved "burners," where there was contact between vegetation and a power line.



At the trial, the prosecutor harped on PG&E's "chronic and widespread pattern of corporate negligence," saying that PG&E ignored the tree-clearance law to cut costs and to keep its annual profits above the \$1 billion mark.

Energy industry economist **Gayatri Schilberg**, called by the prosecution as an expert witness, testified that PG&E diverted about \$77 million from customers between 1987 and 1994 that it had told the **California Public Utilities Commission** was needed to protect the public from the threat of wildfires.

Perhaps the most damaging evidence came from internal documents. One internal memo by PG&E's corporate headquarters praised managers for cutting tree-trimming costs. Other memos and e-mail circulating within PG&E cited the utility's growing legal liability for fire safety. Other memos by district officers requested more funds for tree trimming.

Russoniello told the jury that PG&E's contractors had the responsibility for trimming trees along the utility's 105,000 miles of power lines in California. He said that trimmers hired under contract to handle the work had failed to perform their jobs in the early 1990s but did a good job in 1994 and 1995.

In the past two years, PG&E has spent about \$150 million on tree trimming, with some 1,400 workers.

State forestry investigators blamed PG&E tree-trimming violations for causing last year's 2,100-acre wildfire in the heart of Sonoma County; the 1990 Campbell fire in Tehama County, which burned 125,000 acres and cost \$10 million to fight; the 1992 Fawn Hill Fire in Placer County, which burned 250 acres and 11 homes, and the 1995 Sailor Fire in Placer County, which burned 150 acres.

Last year, the Placer County district attorney filed a criminal case against PG&E related to the Fawn Hill fire. The utility settled that case by agreeing to accept civil liability and pay \$385,000 to a forest restoration conservancy.

In August 1996, PG&E came close to settling the case in Nevada County. A company vice president had agreed in writing to a plea bargain agreement in which the utility would plead guilty to multiple violations of the tree-clearance law and be sentenced to a

criminal penalty of more than \$100,000. But PG&E's chief executive officer, **Stanley Skinner**, decided to back out of the deal and face trial.

In 1995, PG&E pleaded no contest in Nevada County to three misdemeanor counts of failing to keep its power lines free of vegetation and paid \$2,400 in fines. In 1990, PG&E pleaded no contest in Sonoma County to 10 similar counts and was fined \$10,000.

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